

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON
May 4, 2007
10 a.m., MST**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chair, called the meeting to order at 10:00 a.m.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jaime Gutierrez, Chair (teleconferenced)
 Mr. Steven Zeman, Vice-Chair
 Dr. Keith Meredith, (teleconferenced)
 Mr. Christopher Harris
 Mr. Jim McLaughlin

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of Minutes of the April 6, 2007 EAC Meeting

Mr. Gutierrez asked if there were any corrections or comments on the minutes of the April 6, 2007 EAC meeting. Receiving none, Mr. Gutierrez asked for a motion to approve the minutes.

Motion: Mr. Chris Harris moved that the External Affairs Committee approve the minutes of the April 6, 2007 EAC meeting. Mr. Steven Zeman seconded the motion.

By a vote of all in favor, 0 opposed, 0 abstentions, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding 2007 Legislative Issues.

Ms. Lesli Sorensen, Government Relations Officer, began by updating the Committee on the budget approval. She said that our budget appropriation at the House includes everything that the subcommittee recommended with no modifications. The House version also included a 3% flat, non-performance based salary increase for State employees effective July 1, 2007. Ms. Sorensen said the Senate budget was stalled and it has not been rescheduled yet. The Senate did not hear the appropriations bills this week; the content is the same as the House budget, but also included a 3% flat, non-performance based salary increase effective July 1, 2007 with a .25% performance-based salary increase. There was no mention in either the House or Senate of Burke appropriation money.

Ms. Sorensen then provided updates for the following bills:

- 1) **HB 2145** ASRS benefits; normal retirement; 4/24 Signed by Governor; CHAPTER 114
- 2) **HB 2146** Appropriation; retirement system; Burke litigation; 2/6 Second read; next stop Hse Approp; probably dead

Mr. McLaughlin wanted to know if attorney's fees are not budgeted, from where will they be paid. Ms. Sorensen responded that even though it is out of the budget, the employers still owe the ASRS those fees. Mr. Paul Matson, Director, also responded that this is not a liability to the ASRS since it is the employers that will need to pay.

- 2) **HB 2147** ASRS; investment management; 4/24 Conference Committee Report Adopted; next stop Hse & Sen final read

Ms. Sorensen further reported that the Minority members of the Conference Committee, both Senator McHue-Davis and Representative Lopez filed their own minority reports. The ASRS is just waiting for the House to adopt the Conference Report and for a final vote in both chambers.

Mr. Chris Harris asked Mr. Matson to clarify what is characterized as international, per a question that arose in the previous EAC meeting.

Mr. Matson responded that this question had been followed up with as promised at the last EAC meeting. Mr. Matson confirmed that the statute currently indicates 'securities' rather than 'investments.' The question was, does that constrain any non-security investments, such as private equities or real estate investments. Mr. Matson explained that the ASRS interpretation means 'investments,' taking the more conservative definition rather than following the SEC definition. The ASRS will still not be overly constrained when the limit is moved to 30%. Mr. Matson further explained that the ASRS also adds in fixed income securities even though current statutes say 'equity.'

Mr. Gutierrez asked Ms. Sorensen what her sense was on how the budget will be adopted. Ms. Sorensen responded that there was some stumbling over tax credits, whether they have to be declared by the 31st of December or if they get until April; the timing has an impact fiscally on the State. The Democrats in the Senate are saying they had an agreement, and this issue was part of that, so the budget should still be moved forward. She does think it will go to the floor now. Ms. Sorensen thinks Sine Die will be by the end of May, as long as nothing goes wrong in the next week.

- 3) **HB 2148** ASRS; active military service credit; 4/26 Hse refuse; next stop Conference Committee

Ms. Sorensen added that the reason this bill was being sent to Conference Committee was because of the sunset provision. There seems to be an issue with the way the retroactive date is presented.

Mr. Gutierrez asked if Representative Hupenthal put the sunset clause into this bill. Ms. Sorensen answered yes. Mr. Gutierrez stated that Representative Hupenthal is not on the Conference Committee. Ms. Sorensen confirmed that was correct.

- 4) **SB 1060** S/E: ASRS; contribution return; reinstatement; 4/4 Hse approp DPA/SE 12-1-4; next stop Hse Rules

Ms. Sorensen said this bill is still waiting for House Rules. Ms. Sorensen thinks this has been put on a money bill list because there is a small appropriation to the ASRS. The expectation is that the money bills will begin to trickle out now that the budget is moving.

Mr. Zeman asked Ms. Sorensen if she was optimistic about this bill, she confirmed that she was.

- 5) **SB 1199** ASRS; unclaimed monies; 4/24 Maj & Min Caucus Y; next stop Hse COW

Ms. Sorensen reported that this bill was scheduled for House COW, but that it did not get scheduled. She is hoping it will be rescheduled next week.

- 6) **HB 2311** S/E: rural healthcare subsidy; 4/4 Maj Caucus held; next stop Maj Caucus

Ms. Sorensen said that this is on the money bill list, and that hopefully there will be movement soon when the budget issues get resolved. She is sure that Representative Konopnicki is working hard to get this bill moving. An email was sent to the members of the four rural counties to make them aware that the rural subsidy will expire at the end of this June. As a whole, the ASRS is neutral on this bill, and is just providing information to them so they know for sure the subsidy will be ending.

- 7) **SB 1556** NOW: ASRS; postdoctoral scholars; eligibility; 5/2 signed by Governor; CHAPTER 173

4. **Future EAC Agenda Items**

Mr. Gutierrez mentioned that it was suggested that the June EAC meeting possibly be put on hold depending on what happens with the legislature. Mr. Gutierrez would like to leave this at the discretion of the Chair and the Committee. Mr. Gutierrez asked for approval of Committee members to later decide if a June EAC meeting will be called. All were in favor, none opposed.

5. **Call to the Public**Mr. Jaime Gutierrez

Mr. Charlie Chittenden of Buck Consultants added a suggestion for future legislation. He commented it would be beneficial if the ASRS were exempted from GRRC oversight, similar to what PSPRS is trying to propose.

There was brief discussion regarding PSPRS' bill.

6. **Adjournment of the ASRS External Affairs Committee**

Mr. Gutierrez asked for a motion to adjourn.

Motion: Mr. Harris moved that the March 2, 2007 External Affairs Committee meeting be adjourned, Mr. Zeman seconded the motion. By a vote of all in favor, 0 opposed, 0 abstentions, the motion was approved.

The EAC meeting was adjourned at 10:45 a.m.

Respectfully Submitted by,

Melissa Jensen
Committee Secretary

Date

Patrick M. Klein
Assistant Director, External Affairs

Date